

SUBMISSION COVER SHEET

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Registered Entity Identifier Code (optional): 17-007

Organization: CME Clearing Europe Limited (“CMECE”)

Filing as a: DCM SEF DCO SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): 03/10/17 Filing Description: Change to CMECE Clearing Procedures – Italian Natural Gas Daily Futures Account Assignments

SPECIFY FILING TYPE

Please note only ONE choice allowed per Submission.

Organization Rules and Rule Amendments

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

Rule Numbers:

New Product

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

Official Product Name:

Product Terms and Conditions (product related Rules and Rule Amendments)

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- “Non-Material Agricultural Rule Change” § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected:

Rule Numbers: CMECE Clearing Procedures (sections 7.1 and 7.2 of Part G – Italian Natural Gas Delivery Procedures)



March 10, 2017

VIA ELECTRONIC PORTAL

Mr. Christopher J. Kirkpatrick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, DC 20581

**RE: CFTC Regulation 40.6(a) Certification. Change to CMECE Clearing Procedures – Italian Natural Gas Daily Futures Account Assignments
CMECE Submission No. 17-007**

Dear Mr. Kirkpatrick:

CME Clearing Europe Limited (“CMECE”), a registered derivatives clearing organization (“DCO”) under the Commodity Exchange Act, as amended (“CEA” or “Act”), pursuant to Commission Regulation 40.6(a), is notifying the Commodity Futures Trading Commission (“CFTC” or “Commission”) that it is self-certifying amendments to Part G (Delivery Procedures for Italian Natural Gas) of the CMECE Clearing Procedures, effective on Monday, March 27, 2017.

Specifically, CMECE is amending the time by which Clearing Members must finalise the assignment of accounts for a natural gas delivery, and the time by which CMECE shall confirm such assignment. The time period for completing this process shall be extending from 17:00 hours London time on the last trading day of the Contract to 08:00 hours London time on the Business Day following the last trading day.

Core Principle Review

CMECE reviewed the derivatives clearing organization core principles (“Core Principles”) as set forth in the Act and identified the following Core Principles as potentially being impacted:

- **Core Principle E – Settlement Procedures.** The amendment to the Italian Natural Gas delivery procedures is minor and administrative in nature, simply giving Clearing Members an additional few hours to complete account assignments but otherwise not impacting the overall existing physical delivery and cashflow timelines. The changes to the CMECE Clearing Procedures are clearly highlighted and outline the obligations of CMECE with respect to the physical delivery process.
- **Core Principle L – Public Information.** These changes will be made to the publicly available CMECE Clearing Procedures available on the CMECE website.

Exhibit A, which is attached hereto, sets forth the applicable amendments to the Clearing Procedures, with additions underscoring and deletions ~~overstruck~~.

CMECE certifies these changes comply with the Act and regulations thereunder. There were no substantive opposing views to this action in public consultation conducted by CMECE.

CMECE certifies that this submission has been concurrently posted on the CMECE website at <http://www.cmegroup.com/europe/clearing-europe/resources.html>.

If you require any additional information regarding this submission, please contact me at +44(0) 203 379 3811 or via e-mail at CMECESubmissionInquiry@cmegroup.com.

Sincerely,

/s/ Simon Tyrrell
Chief Compliance Officer

Attachment: Exhibit A – Amendments to CMECE Clearing Procedures (Part G: Delivery Procedures for Italian Natural Gas)

Exhibit A

CMECE CLEARING PROCEDURES

Delivery Procedures (Part G: Italian Natural Gas)

1 Introduction

- 1.1 These Italian Natural Gas Delivery Procedures describe the delivery mechanism in respect of the physically deliverable Italian Natural Gas Contracts as set out in the CME Europe Contract Module for Energy and shall apply to Clearing Members entering into Italian Natural Gas Contracts with the Clearing House.
- 1.2 Delivery is effected by transferring title to natural gas in the Italian Transmission System and the PSV System through the process of the Clearing House making Trade Nominations to Snam Rete Gas, through its nomination agent GME, as set out in the SRG Rules and Italian Network Code, between the PSV User Accounts of Clearing Members (or their appointed Gas Transferor / Gas Transferee) and the Clearing House.

2 Interpretation

- 2.1 Capitalised terms used within these Italian Natural Gas Delivery Procedures shall have the meaning as defined in the Rules and the CME Europe Contract Module for Energy (as applicable), except that:
- (a) **PSV Authorized User** means a person authorized by Snam Rete Gas to operate on the PSV System;
 - (b) **PSV User Account** means the PSV account of any PSV Authorized User;
 - (c) **Resolution 282** means the Resolution No. 282/2015/R/GAS of 12 June 2015 of the AEEGSI; and
 - (d) **Value Added Tax** or **VAT** means value added tax as provided for in the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) and any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for or levied in addition to such tax or imposed elsewhere.

3 Operating Times

- 3.1 Italian Natural Gas Contracts can be accepted for clearing on any Business Day. Italian Natural Gas Contracts shall be traded in accordance with the Exchange Rules of CME Europe.

4 Nomination Agent/Clearing House

- 4.1 Pursuant to the SRG Rules and the Italian Network Code, the Clearing Member shall authorise the Clearing House to make Trade Nominations, through its nomination agent GME, to Snam Rete Gas, on behalf of the Clearing Member (or their appointed Gas Transferor or Gas Transferee, as applicable) in connection with deliveries of Italian Natural Gas Futures Contracts. Notwithstanding that the Clearing House shall make Trade Nominations to Snam Rete Gas on behalf of the Clearing Member or their appointed Gas Transferor/Gas Transferee, each Clearing Member shall comply at all times with the Italian Network Code, the SRG Rules and all Applicable Law.
- 4.2 The Clearing Member acknowledges that the Clearing House will transmit all Trade Nominations to Snam Rete Gas through its nomination agent GME. Accordingly, the Clearing House will transmit all Trade Nominations to GME electronically in accordance with GME requirements, and GME will be responsible for the submission of all Trade Nominations to Snam Rete Gas. Pursuant to the Italian Network Code, Trade Nominations shall be considered final once they have been received by Snam Rete Gas, without the need to be matched and/or confirmed by the Clearing Member (or their appointed Gas Transferor or Gas Transferee).

5 Licensing and appointment of Gas Transferee / Gas Transferor

- 5.1 The Clearing House is a “Third Party Exchange” within the meaning of Resolution 282. Pursuant to Resolution 282, the Clearing House has appointed GME to submit Trade Nominations to Snam Rete Gas and to act as its Gas Delivery Agent.
- 5.2 The Clearing Member shall be responsible for fulfilling the delivery requirements of every Contract that it has entered into (whether directly, or acting through a Gas Transferor / Gas Transferee). Where a Clearing Member is not a PSV Authorized User and it does not have a PSV User Account, it must appoint a third party to act as Gas Transferor / Gas Transferee on its behalf, such Gas Transferor / Gas Transferee to be a PSV Authorized User. The Clearing Member shall notify the Clearing House of the appointment of each relevant Gas Transferor / Gas Transferee through submission of a completed Gas Transferor / Gas Transferee Notification Form (signed by an authorized signatory of the Clearing Member and the Gas Transferor / Gas Transferee) in respect of any Account or Standard Notional Sub-Account,

provided that only a single Gas Transferor / Gas Transferee may be appointed to effect the submissions of Trade Nominations in respect of any single Contract.

5.3 The Clearing Member shall ensure that:

- (a) it notifies the Clearing House of third parties acting as Gas Transferor / Gas Transferee relating to any Account or Standard Notional Sub-Account by submission to the Clearing House of a completed Gas Transferee/ Gas Transferor Notification Form to clearingsupport@cmeclaringeurope.com by no later than 17:30 hours London time on the last trading day of the relevant Italian Natural Gas Contract (as specified in the CME Europe Contract Module for Energy); and
- (b) The Gas Transferee / Gas Transferor acknowledges its appointment no later than 18:00 hours London time on the last trading day of the relevant Italian Natural Gas Contract (as specified in the CME Europe Contract Module for Energy) in writing by email to clearingsupport@cmeclaringeurope.com

5.4 The Clearing Member is responsible for the accuracy of information provided in any Gas Transferor / Gas Transferee Notification Form and for ensuring that the person signing the Gas Transferor / Gas Transferee Notification Form on behalf of the Clearing Member and the Gas Transferor / Gas Transferee is authorised to do so.

5.5 Each Clearing Member shall ensure that the Gas Transferor / Gas Transferee (whether a Clearing Member acting as Gas Transferor / Gas Transferee or any Gas Transferor / Gas Transferee appointed by the Clearing Member, as appropriate) will at all times comply with the terms of any applicable licence or registration that it holds, any agreements it has with Snam Rete Gas, the SRG Rules, the Italian Network Code and any other Applicable Law. Each Clearing Member, or any Gas Transferor / Gas Transferee appointed by the Clearing Member, shall obtain and adequately maintain at all times such systems and technology as may be necessary in order to comply with such requirements.

5.6 All payments relating to Italian Natural Gas Contracts shall be made between the Clearing House and the Clearing Member. For the avoidance of doubt, the Clearing House will not make any payments to Clients or any person appointed as Gas Transferor / Gas Transferee by the Clearing Member. The Clearing Member should make separate arrangements for the payment of cash between itself and its Clients in relation to Italian Natural Gas Contracts.

5.7 Unless a third party is appointed by a Clearing Member to act as Gas Transferor / Gas Transferee, the Clearing House will deliver natural gas under any Contract to, and will receive the delivery of natural gas

from, the Clearing Member. The Clearing House may accept delivery from, and make delivery to, third parties acting in the capacity of Gas Transferor or Gas Transferee (as the case may be, and in each case as agent for the Clearing Member) notified by the Clearing Member to the Clearing House in accordance with these Delivery Procedures.

- 5.8 For the avoidance of doubt, the Clearing Member shall at all times remain responsible for the satisfactory performance of Italian Natural Gas Contracts including completion of its delivery, payment and other obligations under the Rules and also the delivery obligations of any Gas Transferor/ Gas Transferee appointed by the Clearing Member.

6 Delivery Process

- 6.1 Delivery under Italian Natural Gas Contracts is effected by the transfer of title in natural gas through the Italian Transmission System and the PSV System from a Gas Transferor (nominated by the seller, which may be the seller itself) to the Clearing House and from the Clearing House to a Gas Transferee (nominated by the buyer, which may be the buyer itself) in accordance with the terms of that Contract. To effect the transfer of title, the Clearing House shall make Trade Nominations (on its behalf and on behalf of the Gas Transferors/Gas Transferees) to Snam Rete Gas, through its nomination agent GME, as set out in the SRG Rules and the Italian Network Code. The transfer of title to natural gas will occur on the delivery day, subject to the Trade Nomination relating to the Clearing House and the corresponding Trade Nomination relating to the Clearing Member being registered by Snam Rete Gas in the PSV System and becoming visible in their respective PSV User Accounts.
- 6.2 Payment of cash in respect of the delivery of natural gas shall be made in accordance with paragraphs 7.6 to 7.8 below and does not occur concurrently with the delivery of natural gas.
- 6.3 The detailed delivery timings are set out in paragraph 7 below and are subject to any amendment to the operational arrangements of the Italian Network Code and SRG Rules. The Clearing House shall notify Clearing Members of any such amendments which may have a material impact on the operation of Italian Natural Gas Contracts and where such amendments are known to the Clearing House.

7 Delivery Timings

- 7.1 The Clearing Member must finalise the account assignment of Contracts and notify the Clearing House no later than ~~17:00~~08:00 hours London time on the Business Day following the last trading day of the Contract (as specified in the CME Europe Contract Module for Energy). The Clearing Member must provide information on the Gas Transferor / Gas Transferee for each relevant account by 17:30 hours London time on the last trading day of the Contract to the Clearing House if it has not already done so.

- 7.2 The Clearing House will calculate the net delivery requirements for each account ~~during its overnight system processing operations~~ no later than 08:15 hours London time on the Business Day following the last trading day of the Contract. The Clearing House shall provide a report to each Clearing Member detailing delivery obligations for each of the relevant Accounts and sub-accounts of that Clearing Member as soon as reasonably practical after ~~07:00~~08:15 hours London time on the Business Day following the last trading day of the relevant Italian Natural Gas Contract (as specified in the CME Europe Contract Module for Energy). The report shall describe the net flows of cash and natural gas relating to Italian Natural Gas Contracts of the Clearing Member for each relevant Account and sub-account.
- 7.3 The Clearing Member shall acknowledge receipt and confirm delivery requirements by 08:30 hours London time on the Business Day following the last trading day of the relevant Italian Natural Gas Contract (as specified in the CME Europe Contract Module for Energy). In doing so, the Clearing Firm shall be deemed to confirm, as a PSV Authorised User or in respect of its Gas Transferor / Gas Transferee who shall be a PSV Authorised User, that it meets all necessary requirements under the SRG Rules and Italian Network Code, to enable it to act as Gas Transferor / Gas Transferee in respect of the relevant Trade Nomination. Any perceived inaccuracies in the delivery requirements should be notified to the Clearing House by the Clearing Member by this time. Confirmation of the delivery requirements must be provided by the Clearing Member by email to clearingsupport@cme clearing europe.com.
- 7.4 The Clearing House shall submit all required Trade Nominations to GME by 09:00 hours London time at the latest on the London business day immediately preceding each Gas Day.
- 7.5 The Clearing Member shall monitor (and where applicable instruct their appointed Gas Transferor / Gas Transferee, as applicable, to monitor) its PSV Account in order to verify that the relevant Trade Nomination has been registered in the PSV System correctly, and shall give notice to the Clearing House of any inaccuracy and/or inconsistency within 30 minutes from the time in which the relevant Trade Nomination is visible on the relevant account of the Clearing Member (or the relevant Gas Transferor / Gas Transferee). Notice shall be delivered by the Clearing Member to clearingsupport@cme clearing europe.com and shall set out in reasonable detail any inaccuracy and/or inconsistency.

For Cash Flows

- 7.6 A Clearing Member with a net requirement to pay cash to the Clearing House shall pay such cash from its Bank Account to the bank account of the Clearing House by no later than 10:00 hours London time on the second Banking Day immediately following the Gas Day. Payment to the Clearing House shall occur as part of the Settlement Cycle. A Clearing Member may fulfil its payment obligation at an earlier date.

- 7.7 For Clearing Members with a net requirement to receive cash from the Clearing House:
- (a) the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member as part of the Settlement Cycle;
 - (b) where such Clearing Member also has a net requirement to deliver natural gas to the Clearing House, the Clearing House shall instruct its bank to pay cash to the Bank Account of the Clearing Member, provided that the Clearing Member has fulfilled its natural gas delivery requirements; and
 - (c) payment to the Clearing Member shall occur by no later than 10:00 hours London time on the second Banking Day immediately following the Gas Day.
- 7.8 In the case where a Clearing Member with a net requirement to receive cash and a net requirement to deliver natural gas has not fulfilled its natural gas delivery requirements, the Clearing House shall only pay an amount of cash that reflects, as determined by the Clearing House in its absolute discretion, the proportion of the natural gas delivery requirement that has been fulfilled.

For Natural Gas Flows

- 7.9 The Clearing House shall ensure that its instructions shall be submitted to GME by 09:00 hours London time on the Business Day immediately preceding each Gas Day. GME, on behalf of the Clearing House, will submit Trade Nominations to the PSV System operated by Snam Rete Gas by 09:30 hours London time on the Business Day immediately preceding each Gas Day in the delivery period.
- 7.10 Where instructions are accepted by GME and are not reversed by Snam Rete Gas, the deliveries in respect of each Gas Day will be deemed complete by 10.45 hours London time on the following relevant Gas Day and may not be reversed.

8 Failure to deliver

- 8.1 Where the Clearing Member fails to fulfil its gas delivery requirements under any Italian Natural Gas Contract for any reason, including but not limited to a failure to ensure the accurate provision of delivery information to the Clearing House, the Clearing Member shall take all necessary steps to remedy this failure and shall follow any instructions issued by the Clearing House.
- 8.2 Where the Clearing House suffers an imbalance in any Gas Day within the Italian Transmission System as a result of:

- (a) the failure of a Clearing Member to affirm the accuracy and completeness of delivery information to it pursuant to paragraph 7.3 in a timely manner;
- (b) the failure of a Clearing Member to correctly affirm, by checking their PSV User Account, in a timely manner Trade Nominations submitted by GME to Snam Rete Gas on behalf of the Clearing House, as set out in paragraph 7.5 above, and laid out in the delivery procedures and in accordance with the Snam Rete Gas Rules / Italian Network Code; or
- (c) any other actions or inactions of any Clearing Member (which shall include the actions or inactions of any Gas Transferor/ Gas Transferee appointed by that Clearing Member),

the responsible Clearing Member shall make a compensation payment to the Clearing House for the full amount of any costs imposed on the Clearing House by Snam Rete Gas relating to the failure of that Clearing Member to deliver in accordance with the Italian Natural Gas Daily Contract and these Delivery Procedures, including without limitation balancing charges due under the Italian Network Code and SRG Rules. For the avoidance of doubt, any compensation payment may represent a pro rata amount allocated to the Clearing Member by the Clearing House in respect of overall charges and costs imposed by Snam Rete Gas on the Clearing House in respect of the daily imbalance of the Clearing House under the Italian Network Code and SRG Rules. This compensation payment shall be payable in accordance with paragraph 8.5 below and shall be made on or before the twentieth calendar day of the calendar month following the Contract Month (as specified in the relevant Italian Natural Gas Contract) or if such day is not a Banking Day, on the first preceding Banking Day.

8.3 Without prejudice to the rights of the Clearing House under the Rules, the Clearing House reserves the right to take such action as necessary to mitigate any damage that it may suffer due to the failure of a Clearing Member to fulfil its gas delivery requirements in relation to any Gas Day, including without limitation:

- (a) if the Clearing Member is a Delivery Seller, the Clearing House may acquire rights in or title to natural gas from any person in order to reduce or extinguish any liability it may incur or suffer under the SRG Rules and/or the Italian Network Code as a result of the Clearing Member's failure to perform its gas delivery requirements;
- (b) if the Clearing Member is a Delivery Buyer, the Clearing House may sell rights in or title to natural gas to any person in order to reduce or extinguish any liability it may incur or suffer under the SRG Rules and/or Italian Network Code as a result of the Clearing Member's failure to perform its gas delivery requirements.

In addition to any compensation payment payable under paragraph 8.2 above, the Clearing Member shall be liable for and shall indemnify the Clearing House in respect of any additional costs, express or implied, incurred by the Clearing House in taking any such actions due to the failure of the Clearing Member to fulfil its obligations. For the avoidance of doubt, such costs may include an administration charge reflecting the Clearing House's internal expenses in relation to the management or avoidance of a daily imbalance of the Clearing House under the Italian Network Code and SRG Rules arising from the actions or inactions of the Clearing Member or its agent. Such additional costs will be allocated pro rata by the Clearing House between each Clearing Member which failed to fulfil its delivery obligations and which required the Clearing House to take the relevant actions.

- 8.4 Without prejudice to the rights of the Clearing House under the Rules and under paragraph 8.2 and 8.3 above, the Clearing House may liaise with Clearing Members affected by the delivery failure of another Clearing Member and may take any action at its sole discretion under the Rules and these Italian Natural Gas Delivery Procedures. In the event of a delivery failure by a Delivery Seller, where the Clearing House is not able to rectify the delivery failure at its sole discretion, the Clearing House may issue a credit note to affected Delivery Buyers for an amount up to the Delivery Value of the failed delivery.
- 8.5 In the circumstances set out in paragraph 8.2 and 8.3, the Clearing House shall invoice each Clearing Member and require payment in respect of any such fees and charges in accordance with Rule 4.1.2.

9 Value Added Tax and other transfer taxes and duties

- 9.1 Value Added Tax may be payable on natural gas deliveries. The amount of any such VAT, where the supplier is required to account to a tax authority for such VAT, shall be payable simultaneously with the payment of the Delivery Value in accordance with these Delivery Procedures.
- 9.2 The Clearing House shall apply any concession or legislative provision that entitles it to treat any supply made by or to it under an Italian Natural Gas Contract as eligible for zero rating (or the equivalent in any country other than the UK) for the purposes of VAT and the Clearing Member shall provide such information as may be required by the Clearing House in order for it to establish whether the benefit of any such concession or legislation may be available.
- 9.3 Amounts payable under any physically deliverable Italian Natural Gas Contracts are exclusive of any taxes or any other duties (other than VAT) that may be or become payable on the sale or transfer of rights in respect of natural gas under a physically deliverable Italian Natural Gas Contract and any such other taxes or duties shall be borne by the Delivery Buyer.

- 9.4 As described in the CME Europe Contract Module for Energy, Clearing Members must provide the Clearing House with their UK VAT registration details prior to entering into Italian Natural Gas Contracts.
- 9.5 For tax accounting purposes, VAT is to be accounted for on gross transactions.
- 9.6 Where VAT is chargeable in respect of a supply by the Clearing House, the Clearing House shall provide such VAT Invoice as is required by law to each Clearing Member specifying details of the gross transactions for which the Clearing Member was a Delivery Buyer. The Clearing House shall provide this VAT Invoice on a monthly basis.
- 9.7 Save where a self-billing arrangement applies pursuant to clause 9.8 below, and where VAT is chargeable in respect of a supply by the Clearing Member, the Clearing Member shall provide such VAT Invoice as is required by law to the Clearing House specifying details of the gross transactions for which the Clearing Member was a Delivery Seller and the Clearing House was the Delivery Buyer. The Clearing Member shall provide this VAT Invoice on a monthly basis.
- 9.8 Where applicable and allowable under applicable law, the Clearing House may request that Clearing Members enter into a VAT self-billing agreement with the Clearing House. For Clearing Members that have entered into such an agreement, the Clearing House shall provide a Self-Billing VAT Invoice to each Clearing Member specifying details of the gross transactions for which the Clearing Member was a Delivery Seller. The Clearing House shall provide this Self-Billing VAT Invoice on a monthly basis.
- 9.9 Clearing Members shall be responsible for complying with all applicable VAT and other locally applicable tax obligations (including, where applicable, to self-account for local VAT in accordance with their local country reverse charge provisions).